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TAGS: [ECIN](#) [ECON](#) [ENRG](#) [PGOV](#) [IZ](#)
SUBJECT: MINOIL OFFICIAL DISCUSSES NATIONAL OIL POLICY

Classified By: Economic Minister Counselor Daniel Weygandt for reasons
1.4 (b) and (d).

11. (C) Summary: The Director General of the State Company for Oil Projects (SCOP) described the Iraqi constitution as "unworkable" for efficient management of the country's natural resources. Falah Al-Khawaja discussed the Kurdish law, current capital projects in the Kurdish region, and national oil policy. He characterized Minister of Oil Al Shahrastani as "a good listener" with little understanding of the hydrocarbon industry. End Summary.

MOVING TARGETS WITH THE KURDS

12. (C) In an October 25 meeting with the Economic Minister Counselor, Falah Al-Khawaja said sections of the Iraqi constitution preclude effective management of Iraq's natural resources. A long-time Ministry of Oil employee and current Director General of the State Company for Oil Projects (SCOP), Al-Khawaja described the Kurdish Minister for Natural Resources Ashti Hawrami as an old friend and a true professional. According to Al-Khawaja, at one point Dr. Hawrami understood that central management of the natural resources was the most efficient system, and that the constitutional review process was supposed to deal with the impediments in the natural resource articles. "Now, Ashti has changed," Al-Khawaja said, "maybe Barzani has convinced him, as now he says that those articles are non-negotiable." Al-Khawaja also said that the Kurdish draft law claims the resources of disputed geographic areas. (Note: In the October 22 version of the Kurdish regional hydrocarbon law the Kurds continue to claim some authority over the resources in the disputed territories. This claim is less sweeping than it was in earlier versions of the Kurdish draft law. End Note.)

EXECUTING CAPITAL PROJECTS IN THE KURDISH REGION

13. (C) Al-Khawaja said that most of the Ministry of Oil's major infrastructure projects are in the north of the country. One project is the development of the Kormor Gas Field in Sulimaniyya. Al-Khawaja said that the contract was signed seven months ago and approved by the Council of Ministers. The Kurds objected to the contract, and asked him to send all of the related documents. Al-Khawaja refused to send the documents out of Baghdad, and invited the Kurds to send people to review them at SCOP. Nothing has happened since then. "We can't execute the contract in the Kurdish area if they don't agree; any policeman could stop the work," Al-Khawaja said.

OIL POLICY AND THE HYDROCARBON LAW

14. (C) "What we really need to think about," said

Al-Khawaja, "is our national oil policy." He was critical of the South Oil Company's focus on huge fields that will require large, and complicated, investments in infrastructure. Al-Khawaja suggested exploiting instead the easier medium-sized fields, and investing in the western area of the country. "There are proven heavy oil fields in the west, and the infrastructure required to develop and manage the fields would employ half of the population in the west, and stabilize the area."

15. (C) When asked about the GOI hydrocarbon law, Al-Khawaja said that there was a need for brainstorming about what should be in the law, with international input and expertise.

He said that people need to discuss and agree upon clear principles, without ambiguities. He urged the USG to stay involved with the process. Al-Khawaja thinks that the Minister of Oil is asking the right kinds of questions, but still knows very little about the oil industry.

COMMENT AND BIO-NOTE

16. (C) Falah Al-Khawaja has remained a senior employee in the Ministry of Oil throughout the changes in leadership of the country, and the Ministry, over the past several years. He lived in Kirkuk for over three decades working for the GOI Ministry of Oil. He is originally from Hillah, and has both Sunni and Shia family members. While certainly a product of the system of centralized control over natural resources, Al-Khawaja seemed very knowledgeable and reasonable about the options for the management of Iraq's natural resources.
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